



## MORE ENERGY ASSISTANCE WON'T LOWER PRICES

Despite the good intentions of the Low Income Home Energy Assistance Program (LIHEAP), the program is largely ineffective and does not address the root cause of energy poverty - rising energy prices. In addition to the \$900 million in additional funding secured in 2020 in the CARES Act, Democrats more than doubled the typical funding for the program to \$8 billion in 2021.<sup>1</sup> While Democrats tout increased funding as a success, the influx of funding failed to assist more households in fiscal year 2020 compared to 2019.<sup>2</sup>

### BACKGROUND

The Low Income Energy Assistance Program was initially created by Congress in 1980 to provide funds for medically-necessary heating costs after the cost of heating oil increased dramatically in the late 1970s.<sup>3</sup> A year later, Congress expanded LIHEAP, allowing funds to also be used for weatherization and cooling programs not based on medical necessities, among other allowances.<sup>4</sup> LIHEAP received \$2 billion in 1981, growing gradually over the years to \$3.7 billion in 2019.<sup>5</sup>

Although LIHEAP requires grantees to engage in outreach with eligible households, these efforts appear to be in vain since less than 25% of eligible households received LIHEAP benefits in any given year over the past decade.<sup>6</sup> Furthermore, the number of households assisted by LIHEAP dropped in 2020 from 5.78 million to 5.63 million and has been steadily dropping for years despite consistent funding increases over the same period.<sup>7</sup> Notwithstanding the low take-up rate for LIHEAP, many households still experience energy poverty. The U.S. Energy Information Administration reports that one in five households reported reducing or forgoing basic necessities like food and medicine to pay an energy bill and over 10% kept their home at an unhealthy or unsafe temperature.<sup>8</sup> This winter's rising energy prices will only exacerbate this danger.<sup>9</sup>

### POLICY SOLUTIONS

- **Promote energy policies that drive the cost of energy down**
  - As mentioned earlier, although total program funding has increased in recent years, only 20% of individuals eligible for LIHEAP received benefits in 2020, while a similar percentage of Americans were forced to limit expenses on necessities to pay their energy bills. Since many in the target population facing energy poverty are not being served by LIHEAP for whatever reason, one of the simplest ways to reduce their energy insecurity would be to promote policies that lower the cost of energy for all Americans. (*Read more in RPC's brief entitled "Energy Poverty and Economic Justice."*)<sup>10</sup>
  - Sadly, rather than enacting policies aimed to lower the cost of energy, the Biden Administration's collective policies discourage investment in affordable energy production and drive energy prices upward. Chief among these policies is the Biden Administration's decision to cancel the Keystone XL pipeline and to issue a moratorium on federal oil and gas leasing (*Read more in RPC's brief entitled "Biden's 'America Last' Energy Policy."*)<sup>11</sup>. More recently, Biden's Environmental Protection Agency proposed more stringent regulations on methane emissions on existing oil and gas wells.<sup>12</sup> Collectively, these policies discourage production and investment and fuel energy prices upward.

- **Limit waste on administrative spending**

- While the law limits the use of a state's allotment of LIHEAP funds for administrative expenses to 10%, several states are not adhering to the true meaning of this requirement.<sup>13</sup> While states are adhering to the 10% requirement based on the total LIHEAP allotment available to them in that fiscal year, most states aren't spending their total allotment and are carrying over funds into the next year. Therefore, if you calculate what percentage a state spends on administration and planning of the LIHEAP funds spent that year, multiple states are spending more than 10%.
  - For example, in FY2020 Maryland spent 8% of the funds it received for administrative purposes, but 28% of the total allotment, more than \$27 million, was not used and will carry over into the next fiscal year. Therefore, of the total LIHEAP funds spent that year, 11% was spent on administrative purposes.<sup>14</sup>
- Considering this, Congress should limit the percentage of funds used for administrative purposes to what is actually spent that year rather than the total amount they are allocated.

- **Fully close the “Heat-and-Eat” loophole**

- A LIHEAP loophole dubbed “Heat and Eat” allows states to artificially boost food stamp benefits, which are determined based on countable income.<sup>15</sup> Households receiving SNAP benefits are eligible for a utility deduction that will reduce their countable income and, therefore, increase their SNAP benefits.<sup>16</sup> Rather than use an applicant's actual utility bill to confirm eligibility for the utility deduction, most states use a Standard Utility Allowance (SUA), which is based on the average utility costs in that area.<sup>17</sup> Previously, a household receiving any level of LIHEAP benefits would qualify a household for SUA, making it more likely they would qualify for the utility deduction.<sup>18</sup>
- More than a dozen states were signing up food stamp recipients to receive LIHEAP payments as small as \$1 per year in order to increase the amount of food stamp aid provided by the federal government.<sup>19</sup>
- While the 2014 Farm Bill narrowed the loophole by requiring states to provide more than \$20 in LIHEAP benefits a year to qualify for “Heat and Eat,” states continue to exploit this benefit by simply increasing LIHEAP benefits to the new threshold.<sup>20</sup>
- For example, Former Governor Andrew Cuomo said in 2014 that New York would spend \$6 million in federal funds to boost LIHEAP aid, therefore, preserving \$457 million in food stamp aid.<sup>21</sup>

Consequently, Congress should correct the root of the problem and implement policies that would lower energy prices for all American households, instead of throwing further taxpayer dollars at the symptoms of bad energy policy via LIHEAP. While it remains in existence, Congress should also strive to make LIHEAP more effective and efficient by limiting waste and closing loopholes.

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<sup>1</sup> Biden Administration Announces State-by-State Funding to Address Home Energy Costs. The White House. January 7, 2022. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/07/biden-administration-announces-state-by-state-funding-to-address-home-energy-costs/> and LIHEAP DCL 2020-10 CARES Act Supplemental Funding Release FFY20. Office of Community Services: Administration for Children & Families. May 8, 2020. [https://www.acf.hhs.gov/ocs/policy-guidance/liheap-dcl-2020-10-cares-act-supplemental-funding-release-ffy20#:~:text=This%20act%20provided%20\\$24900%20million,grantees%20under%20the%20CARES%20Act.](https://www.acf.hhs.gov/ocs/policy-guidance/liheap-dcl-2020-10-cares-act-supplemental-funding-release-ffy20#:~:text=This%20act%20provided%20$24900%20million,grantees%20under%20the%20CARES%20Act.)

<sup>2</sup> Administration for Children & Families: LIHEAP Performance Management. Custom Reports: LIHEAP Recipients, Total (Any Type of Assistance), Total Households Served, All grantees. [https://liheapppm.acf.hhs.gov/datawarehouse/custom\\_reports](https://liheapppm.acf.hhs.gov/datawarehouse/custom_reports)

<sup>3</sup> History of LIHEAP. U.S. Department of Health and Human Services: LIHEAP Clearinghouse. [https://liheapch.acf.hhs.gov/sites/default/files/webfiles/docs/History\\_of\\_LIHEAP.pdf](https://liheapch.acf.hhs.gov/sites/default/files/webfiles/docs/History_of_LIHEAP.pdf)

<sup>4</sup> Title XXVI of P.L. 97-35 and History of LIHEAP. U.S. Department of Health and Human Services: LIHEAP Clearinghouse. [https://liheapch.acf.hhs.gov/sites/default/files/webfiles/docs/History\\_of\\_LIHEAP.pdf](https://liheapch.acf.hhs.gov/sites/default/files/webfiles/docs/History_of_LIHEAP.pdf)

<sup>5</sup> Low-Income Energy Programs Funding: History 1977-2018. U.S. Department of Health and Human Services. [https://liheapch.acf.hhs.gov/Tribes/energyprogs\\_history.htm](https://liheapch.acf.hhs.gov/Tribes/energyprogs_history.htm) and Administration for Children & Families: LIHEAP Performance Management. Custom Reports: LIHEAP Funding, Use of Funds, Total Program Funding, All grantees. [https://liheapppm.acf.hhs.gov/datawarehouse/custom\\_reports](https://liheapppm.acf.hhs.gov/datawarehouse/custom_reports)

<sup>6</sup> 42 U.S.C. §8624(b)(3) and Administration for Children & Families: LIHEAP Performance Management. Custom Reports: LIHEAP Recipients, Total Households Served, All grantees. [https://liheapppm.acf.hhs.gov/datawarehouse/custom\\_reports](https://liheapppm.acf.hhs.gov/datawarehouse/custom_reports)

<sup>7</sup> Administration for Children & Families: LIHEAP Performance Management. Custom Reports: LIHEAP Recipients, Total Households Served, All grantees. [https://liheapppm.acf.hhs.gov/datawarehouse/custom\\_reports](https://liheapppm.acf.hhs.gov/datawarehouse/custom_reports)

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- <sup>8</sup> One in three U.S. households faces a challenge in meeting energy needs. U.S. Energy Information Agency. September 19, 2018. <https://www.eia.gov/todayinenergy/detail.php?id=37072#>
- <sup>9</sup> Winter Fuels Outlook. U.S. Energy Information Agency. February 8, 2022. <https://www.eia.gov/outlooks/steo/report/WinterFuels.php>
- <sup>10</sup> [https://republicanpolicy.house.gov/sites/evo-subsites/republicanpolicy.house.gov/files/evo-media-document/Energy%20Poverty%20and%20Economic%20Justice\\_0.pdf](https://republicanpolicy.house.gov/sites/evo-subsites/republicanpolicy.house.gov/files/evo-media-document/Energy%20Poverty%20and%20Economic%20Justice_0.pdf) and Administration for Children & Families: LIHEAP Performance Management. Custom Reports: LIHEAP Recipients, Total Households Served, All grantees. [https://liheappm.acf.hhs.gov/datawarehouse/custom\\_reports](https://liheappm.acf.hhs.gov/datawarehouse/custom_reports)
- <sup>11</sup> <https://republicanpolicy.house.gov/sites/evo-subsites/republicanpolicy.house.gov/files/evo-media-document/Biden%27s%20America%20Last%20Energy%20Policy.pdf>
- <sup>12</sup> EPA Proposes New Source Performance Standards Updates, Emissions Guidelines to Reduce Methane and Other Harmful Pollution from the Oil and Natural Gas Industry. United States Environmental Protection Agency. November 2, 2021. <https://www.epa.gov/controlling-air-pollution-oil-and-natural-gas-industry/epa-proposes-new-source-performance>
- <sup>13</sup> 42 U.S.C. §8624(b)(9) and Administration for Children & Families: LIHEAP Performance Management. Custom Reports: LIHEAP Funding, Use of Funds, Funds Used for Administration - Total, 2020. [https://liheappm.acf.hhs.gov/datawarehouse/custom\\_reports](https://liheappm.acf.hhs.gov/datawarehouse/custom_reports)
- <sup>14</sup> Maryland LIHEAP FY2020 State Profile. U.S. Department of Health and Human Services. <https://liheappm.acf.hhs.gov/sites/default/files/private/congress/profiles/2020/FY2020MarylandProfile-508Compliant.pdf>
- <sup>15</sup> David Ditch. Digging Out of the Hole: A Blueprint for a Responsible Post COVID-19 Budget. The Heritage Foundation. December 1, 2020. <https://www.heritage.org/budget-and-spending/report/digging-out-the-hole-blueprint-responsible-post-covid-19-budget>
- <sup>16</sup> Gilberto Soria Mendoza. “Heat and Eat” and SNAP Changes in the 2014 Farm Bill. National Conference of State Legislatures. April 16, 2014. <https://www.ncsl.org/research/human-services/-heat-and-eat-and-snap-changes-in-the-2014-farm-bill.aspx>
- <sup>17</sup> <https://www.fns.usda.gov/snap/eligibility/deduction/standard-utility-allowances>
- <sup>18</sup> Gilberto Soria Mendoza. “Heat and Eat” and SNAP Changes in the 2014 Farm Bill. National Conference of State Legislatures. April 16, 2014. <https://www.ncsl.org/research/human-services/-heat-and-eat-and-snap-changes-in-the-2014-farm-bill.aspx>
- <sup>19</sup> *Id.*
- <sup>20</sup> Farm Bill Mandates Changes to “Heat and Eat” Programs. U.S. Department of Health and Human Services February 21, 2014. <https://liheapch.acf.hhs.gov/news/feb14/heateat.htm> and Daren Bakst and Rachel Sheffield. The “Heat and Eat” Food Stamp Loophole and the Outdated Cost Projections for Farm Programs. The Heritage Foundation. April 7, 2014. <https://www.heritage.org/agriculture/report/the-heat-and-eat-food-stamp-loophole-and-the-outdated-cost-projections-farm>
- <sup>21</sup> Jake Grovum. States resist food stamp cuts. USA TODAY. March 17, 2014. <https://www.usatoday.com/story/news/nation/2014/03/17/stateline-food-stamps/6538141/>